

CARDINAL COVE HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

4. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$36,088 at December 31, 2007, are held in separate accounts and are generally not available for operating purposes. It is the Association's policy to allocate interest earned on such funds to the reserve account.

During 2007, the Association completed a study to determine the remaining useful lives of the components of common property and estimates of the cost of major repairs and replacements that may be required in the future. The estimates were based on 2007 replacement costs. The Association is funding such major repairs and replacements based on the study's estimate of current replacement costs and useful lives while considering amounts previously accumulated in the reserve fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the reserve fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

The above study was completed by Reserve Specialists, Inc. which is a wholly owned subsidiary of Comer Nowling and Associates, P.C.

CARDINAL COVE HOMEOWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2007
(UNAUDITED)

The Association completed a study in 2007 to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding such major repairs and replacements based on the study's estimate of current replacement costs and useful lives while considering amounts previously accumulated in the reserve fund. Estimated current replacement costs have not been revised since that date. The following information is based on the 2007 study and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Reserve Fund Balance at December 31, 2007</u>
Landscaping	3-4	\$ 5,000	
Irrigation	15-15	1,200	
Streets and surfaces	5-5	5,000	
Street maintenance	2-2	750	
Street signs and lighting	5-5	1,000	
Erosion control	2-6	141,800	
Dredging	8-10	240,000	
Entranceway	1-1	4,000	
Signs and monuments	1-22	5,500	
General contingency	1-2	<u>1,000</u>	
		\$405,250	<u>\$36,088</u>